

COMPETITIVE COMMUNICATIONS GROUP

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OFFICE OF THE  
EXECUTIVE SECRETARY

June 11, 1999

David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee, 37243-0505

RE: **Docket 99-00337, Loretto Telephone Company**  
**Addendum to the Cost Recovery Plan**

Enclosed for filing, please find an original and 13 copies of the above referenced filing detailing an Addendum to Loretto Telephone Company's IntraLATA Equal Access Cost Recovery Plan.

Please date stamp one of the enclosed copies of this letter and return it in the envelope provided.

If there are any questions regarding this application, please call me at (301) 699-5106.

Sincerely,

*Doug Dawson*

Doug Dawson  
Consultant to Loretto Telephone Company

Cc: Desda Hutchins, Loretto Telephone Company

**BEFORE THE  
TENNESSEE REGULATORY AUTHORITY**

Filing of Loretto Telephone Company	)	
With an Addendum to the Original Plan	)	CASE NO. 99-00337
For Cost Recovery of Incremental	)	
IntraLATA Equal Access Costs.	)	

**FILING**

Comes now Loretto Telephone Company, Inc. ("Loretto" or "Applicant") and respectfully requests the Tennessee Regulatory Authority to grant a rate to recover the incremental costs of the conversion to IntraLATA Equal Access Toll Dialing Parity as ordered by in FCC 96-333. Also, Loretto is requesting direction from the TRA for the ongoing recovery of permanent revenues lost from the conversion to IntraLATA Toll Dialing Parity.

**Toll Dialing Plan**

Loretto originally filed an *IntraLATA Toll Dialing Parity Plan* consistent with the provisions of the Federal Communications Commission's (FCC) Second Report and Order, FCC 96-333, adopted August 8, 1996. We recognize that the US Court of Appeals, Eighth Circuit, in an Opinion dated August 22, 1997, set aside the dialing parity rules as they pertain to intraLATA telecommunications traffic. It did so because it decided that the FCC had exceeded its jurisdictional authority to promulgate rules applicable to state offerings. Nevertheless, Loretto patterned its IntraLATA Dialing Parity Plan after the FCC rules because most of the industry, nationwide, has largely followed the FCC's rules when adopting toll dialing parity. This filing is an addendum to our original plan and is intended to calculate the rate element required make Loretto whole for the cost of converting to IntraLATA toll dialing parity.

**I. Cost Recovery – Incremental Costs**

Loretto proposes that the incremental costs related to converting to equal access dialing parity be recovered using a temporary access charge rate. These costs are those expected to be incurred within 90 days immediately following the date of the implementation of IntraLATA toll dialing parity. The temporary access charge rate would be applied to all intrastate minutes for a period of one year from the date of implementation. This rate includes estimates of both the costs to be recovered and the applicable minutes and will be subject to a true-up with

additional charges, or rebates, to the carriers to reflect the actual incremental costs associated with the conversion to parity. Loretto would propose to file the calculation for the true-up at the end of the one year-period with the Commission and then make a one-time adjustment, upward or downward, with the carriers per the results of the true-up.

Incremental costs for Loretto include the following estimated costs:

COE Programming Costs	\$ 8,750
Billing Software Changes (IBM436)	\$ 1,200
Advertising Costs	\$ 1,430
Training of Employees	\$ 750
Management Time for Implementation	\$ 840
Consultants	\$ 1,200
Conversion of traffic to FGD trunks	\$ 2,000
PIC Charge Waiver	\$18,830
Total	\$35,000

Estimated future intrastate minutes for the year:

IntraLATA	5,100,000
InterLATA	2,300,000
Total annual minutes	<u>7,400,000</u>

1-Year Rate for Incremental Cost Recovery      \$0.004730 per access minute

## II. Cost Recovery – Other Costs

Loretto also proposes to recover other lost revenues associated with the conversion to intraLATA toll dialing parity. The primary lost revenue for Loretto will be billing and collection revenues. Currently, Loretto receives Billing and Collection under contract from BellSouth for all originating IntraLATA 1+ calls, terminating IntraLATA 800 calls, and originating 0+ calls. As customers change to other carriers for IntraLATA equal access, this traffic will no longer be carried by BellSouth, nor billed by Loretto. Loretto believes it is proper for it to recover these lost revenues so as to not harm current Loretto local subscribers.

It is difficult to estimate these costs because it is unknown how many customers will select a different carrier other than BellSouth. Loretto proposes to calculate and bill for these costs as follows:

1. As of 90 days after the implementation date for IntraLATA dialing parity, Loretto would quantify the amount of monthly minutes and messages for customers selecting a new IntraLATA carrier and that are no longer being billed through the BellSouth contractual arrangement.
2. The amount of lost billing and collection revenues for the 90 day period associated with the minutes and messages no longer billed by Loretto would be calculated.
3. The annual lost revenues would be calculated by annualizing the loss for the impact of the third month following implementation.
4. An access charge rate would be developed using the ratio of lost billing and collection revenues divided by total intrastate toll access minutes.
5. This access charge rate would be filed with the Commission as a permanent new access charge rate element and would remain in place permanently until such time as the Commission examines access charge reform.

Loretto seeks direction from the Commission on the proper forum and mechanism for filing and collecting this proposed new access charge rate.